



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

Sam Benham

H.B. 538

132nd General Assembly
(As Referred by H. Rules and Reference)

Reps. Cera and Rogers, Boggs, Howse, Holmes, Brown, Celebrezze, Ingram, O'Brien, Sheehy, K. Smith, Lepore-Hagan, Antonio, Sykes, Strahorn, Kelly

BILL SUMMARY

- Increases the proportion of state tax revenue allocated monthly to the Local Government Fund from 1.66% to 3.53% beginning July 1, 2019.
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CONTENT AND OPERATION

Local Government Fund allocation increase

Beginning July 1, 2019, the bill increases monthly allocations to the Local Government Fund (LGF) from 1.66% to 3.53% of the total amount of state tax revenue credited to the General Revenue Fund (GRF) each month.¹

Under continuing law, payments from the LGF are made to supplement the revenue of local governments. Each month, a designated percentage – currently, 1.66% – of the total amount of state tax revenue credited to the GRF is deposited into the LGF. Most of this amount is then allocated among each county's undivided LGFs according to a statutory formula. Once the money is deposited into a county's undivided LGF, the county budget commission distributes the money among the county's local governments, which use the money for current expenses.² Until FY 2016, the remainder of the LGF had been distributed directly to municipal corporations that levied an income tax in 2006 (this is often referred to as the "direct municipal distribution").³ However, as of FY 2016, about one-half of this distribution has instead

¹ R.C. 131.51; Section 3 of the bill.

² R.C. 5747.50 to 5747.55, not in the bill.

³ R.C. 5747.50(C), not in the bill.

been used to supplement the LGF revenue of townships and small villages.⁴ For FY 2018 and FY 2019, the rest of the direct municipal distribution is earmarked for various drug addiction-related spending.⁵

The bill essentially restores the monthly LGF earmark percentage to the level it was at in 2005 – 3.53% – before the LGF allocations were reduced in 2011 and 2012 by 25% and 50%, respectively, from FY 2011 levels.⁶ Since then, the LGF has received an earmarked percentage of GRF tax revenue based on the percentage of tax revenue allocated to the LGF in FY 2013 (1.66%).

HISTORY

ACTION	DATE
Introduced	03-06-18

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⁴ R.C. 5747.503, not in the bill, and Section 375.10 of H.B. 64 of the 131st General Assembly.

⁵ Section 757.20(F) of H.B. 49 of the 132nd General Assembly.

⁶ Am. Sub. H.B. 153 of the 129th General Assembly. Under continuing law, counties whose distributions fall below \$750,000 are guaranteed a minimum distribution of \$750,000 in each fiscal year. In addition, counties whose FY 2011 distribution was below \$750,000 are protected from a decrease for any following fiscal year. R.C. 5747.501(B)(1)(a).

